

TOP SECRET

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GENERAL

1. Soviet representative again urges Security Council talks on Korea:

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In conversation with the US delegation, Soviet UN delegate Malik asserted that it was necessary to "raise the level" of Korean discussions in view of the attitude of the US negotiators. The

Soviet delegate alleged that the USSR's proposal for a Security Council meeting attended by "responsible political leaders" was intended to help the negotiations in Korea and not to terminate them. Malik argued that consultation with numerous UN delegations had revealed "a great deal of interest" in the Soviet proposal.

Comment: The Soviet call for a Security Council meeting is apparently another attempt to force UN discussion of a Korean political settlement while the military armistice negotiations are being held.

The Soviet package proposal provided for discarding the year-old Western blueprints for an increase in the UN's capability to meet new aggressions. The USSR was apparently dangling before the UN the prospect of immediate big-power talks on the prolonged Korean negotiations in the hope of drawing support away from the Western collective security project.

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 the Communists in Korea are still preparing for prisoner exchange, suggesting a continued interest in an armistice.

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FAR EAST

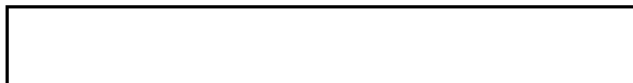
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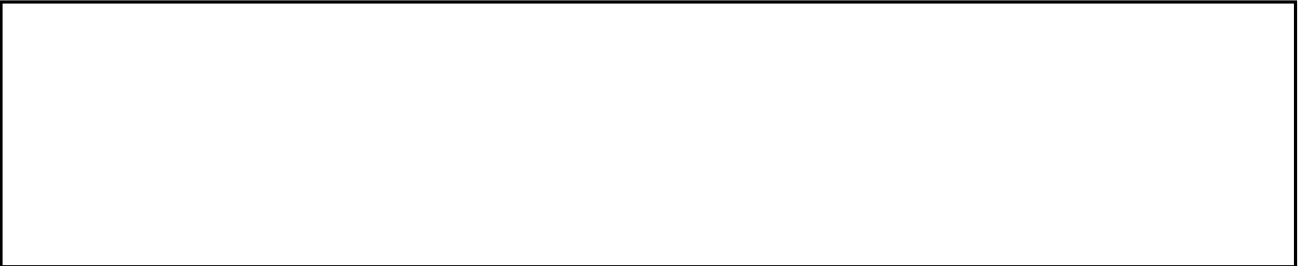


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3. Burmese insurgent leaders reportedly to meet in February:

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Leaders of Burma's two Communist parties, together with the Peoples Volunteer Organization and the insurgent Karens, are reliably reported to have scheduled a meeting in February for the purpose of signing an agreement for united military action against the Burmese Government. The primary objective of the Communist campaign in the immediate future is to deny the current rice crop to the government.

Comment: Reports of conferences to increase cooperation among insurgent elements have been recurrent for several months. There have been indications of growing unity among the insurgents in their efforts to overthrow the Burmese Government, but there is no firm evidence that they have been able completely to submerge the serious differences, personal and ideological, which heretofore have kept them separated.

Control of Burma's rice, the country's chief source of wealth, has always been a Communist objective. To date, however, the Communists have been only moderately successful in this effort.

NEAR EAST - AFRICA

4. US Ambassador in Cairo opposes British inaction in Egyptian situation:

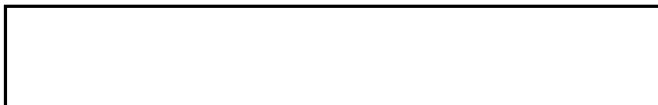
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The US Ambassador in Cairo believes that, while domestic political considerations make it difficult for Britain to make new offers in the Sudan controversy, some positive action must nevertheless be taken. If the British remain adamant on the Sudan, he argues,

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Egypt will make no concessions on the Middle East Command proposals.

The British suggestion that Anglo-Egyptian negotiations depend on the end of terrorism in the Canal zone is not realistic. According to the Ambassador, the Egyptians believe that they can eventually force the British to withdraw by continuing their commando tactics, and are therefore in no hurry to negotiate. He points out that the British base at Fayid is not operative at the present time, and he warns that it eventually may even become untenable.

The Ambassador reiterates his previous warnings that events in Egypt cannot stand still but will continue to deteriorate, with the prospect that they will ultimately lead to "reoccupation, revolution, and general chaos. "

5. British interested in Iraqi solution to Egyptian situation:

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British Foreign Office officials are agreeably surprised at the latest Iraqi proposals for a solution of the Anglo-Egyptian crisis and are considering recommending that Foreign Secre-

tary Eden encourage the Iraqi Prime Minister in his efforts. They hope that the suggestions can be brought more into line with the Middle East Command proposals.

The Foreign Office does not like the Iraqi idea of an alliance restricted to five years nor the flat statement that Egypt could take over the air defense of the Suez Canal zone at some future date. It believes that Egypt will reject the suggestion that the Sudanese be left to decide on their future relations with Egypt free from either British or Egyptian pressure.

Comment: The parts of the Iraqi proposal appealing to the Foreign Office are evidently those stipulating that terrorism in the Suez Canal zone be ended and an allied military storage depot be established there. A depot would satisfy some of the requirements of

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the Middle East Command proposals, which the British have consistently seen as the most suitable arrangement for the defense of the Canal.

Should agreement be reached on essentials, the British would apparently be willing to evacuate some of their troops according to their own time schedule. The British are, however, unwilling to concede that Egypt alone is capable of undertaking any aspect of the defense of the Canal zone.

EASTERN EUROPE

6. Yugoslav Foreign Minister cautions US on consequences of insufficient aid:

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Yugoslav Foreign Minister Kardelj has informed Ambassador Allen that the initial Allied grant of only 25 million dollars for the first half of 1952 has caused his government difficulties in

its economic and defense programs and raised doubts over the attitude of the three powers towards the tripartite aid program.

Kardelj expressed the hope that the three powers would reconsider their decision and accord Yugoslavia adequate funds now to meet its current minimum necessities and thus avoid weakening its internal economic and political structure.

Comment: Yugoslavia has requested 86 million dollars in tripartite assistance to cover its trade deficit for the first six months of 1952. This figure exceeds last year's request for the corresponding period by some 36 million dollars. Yugoslav officials justify this increase on the grounds of larger defense commitments and higher import prices.

American economic officials in Belgrade estimate that unless a grant of approximately 65 million dollars is made early this year, Yugoslavia will be forced to curtail its import program sharply, thereby handicapping its defense and economic efforts. Britain, in line with its generally critical attitude toward Yugoslav economic policy, opposes any commitment in excess of 45 million dollars.

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